

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 TAR-01 L-02 H-02

NSC-05 SS-15 SSO-00 NSCE-00 USIE-00 INRE-00 /080 R

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DRAFTED BY: TREAS:PSUCHMAN:EB/ITP:MWGLITMAN:MEH

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AGRIC:CYEUTTER

TREAS:DDMACDONALD

STR:KGUENTHER

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O 120131Z APR 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS IMMEDIATE

INFO AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY MOSCOW

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E.O. 11652:N/A

TAGS: ETRD, EEC

SUBJECT:EC CHEESE COUNTERVAILING PROBLEM

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REF: (A) STATE 077388, (B) EC BRUSSELS 02800,
(C) STATE 070953, (D) EC BRUSSELS 02711, (E) STATE 069116,
(F) EC BRUSSELS 012674, (G) EC BRUSSELS 02137
MOSCOW FOR SEC SIMON, PARIS FOR UNDER SEC ROBINSON & ENDERS
1. MISSION SHOULD INFORM COMMISSION AT HIGHEST LEVEL THAT
LATEST COMMISSION OFFER ON CHEESE PROBLEM, ALTHOUGH HIGHLY
APPRECIATED AND ALTHOUGH A LOGICAL EXTENSION OF THE
PRINCIPLE BEHIND THE US COUNTEROFFER, IS NOT BELIEVED
WORKABLE. IT IS NOT POSSIBLE FOR US TO DISTINGUISH
SATISFACTORILY BETWEEN EMMENTHALER AND GRUYERE FOR
PROCESSING, AS OPPOSED TO TABLE USE AS EC PROPOSES TO DO.
FURTHERMORE DOMESTIC DAIRY INTERESTS FEEL THEY HAVE GONE
AS FAR AS THEY CAN IN ACCEPTING PRINCIPLE THAT CERTAIN EC
CHEESES BEARING SUBSIDIES MAY ENTER US MARKET UNHINDERED.
DAIRY LEADERSHIP IS ALREADY UNDER SEVERE CRITICISM FROM
THE MEMBERSHIP FOR MAKING PRESENT CONCESSION, WHICH FREES
SOME 60 PERCENT OF SUBSIDIZED EC EXPORTS TO US FROM THREAT
OF COUNTERVAILING DUTIES; THEY ARE ABSOLUTELY UNWILLING TO
AGREE TO FURTHER CONCESSIONS OR DELAYS. IN VIEW OF ABOVE,
COMMISSION SHOULD BE URGED TO RECONSIDER US OFFER OF
APRIL 5. GIVEN THE APPARENT CLOSENESS OF THE TWO OFFERS
WE WOULD HOPE COMMISSION WOULD FIND IT POSSIBLE TO EXTEND
SUSPENSION OF RESTITUTIONS TO ALL OF EMMENTHALER AND
GRUYERE EXPORTS.

2. AMBASSADORS IN MEMBER STATE CAPITALS SHOULD
IMMEDIATELY AND IN ADVANCE OF APRIL 14-15 COUNCIL MEET-
INGS APPROACH HOST GOVERNMENTS AT HIGHEST LEVELS AND
DRAWING ON REFERENCE CABLES OUTLINE RECENT HISTORY OF
THESE DISCUSSIONS. IT SHOULD BE EMPHASIZED THAT US
HAS ALREADY EXTENDED PERIOD OF DISCUSSION TWICE IN FACE
OF SEVERE DOMESTIC CRITICISM, AND THAT WE ARE AGAIN
PUTTING OFF FINAL DECISION TO ALLOW TIME FOR CONSIDERA-
TION OF ISSUE IN EC COUNCIL MEETING SCHEDULED FOR APRIL 14
AND 15.

3. HOST GOVERNMENTS SHOULD BE URGED IN STRONGEST
POSSIBLE TERMS TO SUPPORT ACCEPTANCE OF US OFFER
OF APRIL 5 (REFTEL A). FOLLOWING POINTS SHOULD BE MADE:

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(A) INDUSTRY, UNDER STRONG PRESSURE FROM ADMINISTRATION,
HAS MADE MAJOR CONCESSION IN AGREEING TO WAIVING OF
COUNTERVAILING DUTIES ON ABOUT 60 PERCENT OF EC CHEESE
EXPORTS. THEY AND THEIR CONGRESSIONAL SUPPORTERS
ADAMANTLY REJECT ANY FURTHER US CONCESSIONS.

(B) CONFRONTATION ON THIS ISSUE, WHEN MUTUALLY
ADVANTAGEOUS SOLUTION APPEARS SO CLOSE, COULD HAVE

UNFORTUNATE EFFECTS ON BROAD RANGE OF US/EC ISSUES.
ALSO US HAVING TO TAKE COUNTERVAILING DUTY ACTION IN
THIS CASE WOULD SET UNFORTUNATE PRECEDENT FOR HANDLING
OTHER COUNTERVAILING DUTY CASES--INCLUDING FLOAT GLASS
AND CANNED HAMS CASES--OF INTEREST TO EC MEMBER STATES.

(C) GIVEN CONGRESSIONAL OVERRIDE IN COUNTERVAILING DUTY
WAIVER PROVISION IT MAKES NO SENSE TO GRANT WAIVER IN
THIS CASE IN FACE OF SOLID CONGRESSIONAL OBJECTION.
CONGRESSIONAL VETO OF FIRST INSTANCE OF USE OF WAIVER
WOULD BE EXTREMELY UNFORTUNATE AND AGAINST INTEREST OF
BOTH EC AND US.

(D) THE ADMINISTRATION BELIEVES IT HAS GONE AS FAR AS
IT CAN IN ITS APRIL 5 OFFER TO MEET THE REQUIREMENTS OF
ITS DOMESTIC INDUSTRY AND CONGRESSIONAL LEADERS WHILE
AT THE SAME TIME REACHING A REASONABLE SOLUTION WITH THE
EC.

(E) AREA OF CONTINUED DISAGREEMENT, THAT IS SUBSIDIZATION
OF EMMENTHALER AND GRUYERE FOR TABLE USE, IS INFINITESI-
MAL IN FACE OF TOTAL US/EC ECONOMIC RELATIONS, AND A
SMALL PART OF EC CHEESE EXPORTS.

(F) WE HAVE IN EFFECT AGREED UNDER OUR COUNTEROFFER TO
ALLOW SOME 60 PERCENT OF EC CHEESE IMPORTS TO ENTER THE
US UNDER SUBSIDY. WE ARE THUS NOT ATTACKING THE PRINCI-
PLES OF THE DAIRY CAP BUT ARE LOOKING AT THE ISSUE IN A
PRAGMATIC WAY. WE ONLY ASK THE SAME FROM THE EC.

(G) WE WANT TO RESOLVE THIS PROBLEM AND AVOID AN
UNNECESSARY CONFRONTATION. WE HOPE THAT THE COUNCIL OF
MINISTERS CAN AGREE TO ACCEPT OUR REQUEST WITH REGARD TO
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EMMENTHALER AND GRUYERE AND SUSPEND RESTITUTIONS.

(H) IF EC CAN MAKE THIS MODIFICATION, PROPOSAL WILL BE
ACCEPTED BY THE ADMINISTRATION, DISCRETION WILL BE
EXERCISED TO WAIVE COUNTERVAILING DUTIES ON ALL REMAIN-
ING SUBSIDIZED CHEESES, AND, INTERESTED CONGRESSIONAL
LEADERS AND INDUSTRY WILL ACCEPT ADMINISTRATION'S EXER-
CISE OF SUCH DISCRETION. THIS WILL BE FIRST TIME WE
HAVE BEEN IN A POSITION IN THE CHEESE CASE TO OFFER
SUCH A FIRM COMMITMENT TO EXERCISE DISCRETION.

4. DEPUTY SECRETARY INGERSOLL HAS CONVEYED THESE
VIEWS TO FRENCH, GERMAN AND ITALIAN AMBASSADORS AND
GERMAN MINISTER AND WE HAVE FOLLOWED UP WITH OTHER EC
EMBASSIES AT HIGHEST LEVEL AVAILABLE TONIGHT.

5. POSTS SHOULD REPORT WHEN THEY HAVE CARRIED OUT
INSTRUCTIONS, AND INDICATE REACTIONS. KISSINGER

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